

**STRONG IN THE MORNING, DEAD IN THE EVENING - A GENEALOGICAL AND  
CONTEXTUAL PERSPECTIVE ON ORGANIZATIONAL SELECTION.**

**Marie-Laure DJELIC**  
**ESSEC Business School**  
**Avenue Bernard Hirsch, BP50105**  
**Cergy Pontoise, 95021**  
**France**  
**djelic@essec.fr**

**Rodolphe DURAND**  
**HEC Paris**  
**1, rue de la Libération**  
**78351 Jouy en Josas**  
**France**  
**durand@hec.fr**

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**ABSTRACT**

A key component of evolutionary models in economics and organizational research, the notion of organizational selection is rarely the object of inquiry. It generally suggests instead a neutral and unquestioned process, a mechanism explaining organizational success and survival. In this chapter, we explore the variation of selection; we problematize the notion of selection and do an exercise in conceptual genealogy. We differentiate between three patterns of firm selection: Darwinian, strategic and institutional and define the associated “embedded rationalities” that buttress those different selection patterns. We illustrate how selection differed and evolved through time by exploring two empirical cases – France and the USA. Building upon our empirical exploration, we stress some important contributions for three theories familiar to strategy scholars – resource-based view, population ecology and institutional theory. We also point to some consequences for empirical research and suggest new directions for future work on the dynamics of organizational action.

The idea of selection – whether explicitly or more implicitly – is essential and influential in the economics and organization literature (Nelson and Winter 1982, Aldrich 1999, Baum and McKelvey 1999; Hannan, Polos, and Carroll, 2007). Often viewed as a mechanism explaining success and survival, selection is in general not treated as an object of study but rather as a neutral or unquestioned process. Selection-dependence models have been developed to account for empirical phenomena (Barnett 1997, Dobrev et al. 2006, Kuilman and Li 2009) but this has rarely come together with a contextualization of organizational, institutional or societal characteristics (Zucker 1989; Baum and Powell, 1995). Evolutionary models assume that selection is always operative – it never stops measuring “fit” or sifting declining maladaptive forms (Nelson and Winter 1982, Nelson 1990, Carroll and Hannan, 2002; Hannan et al, 2007). While, in those models, variations are manifestations of the passing time, selection as a mechanism seems immutable.

As Max Weber already alerted us a long time ago, “selection is eternal because no means can be devised to fully extirpate it” but the reasons why conditions favour or undermine a social form or agent “are so manifold that a unitary expression (for this process) would be unsuitable” (Weber 1978: 38; Breiner 2004:291-92). More recently, Isaac and Griffin (1989) warned us against the risks of neglecting how much history and theory are intertwined and that time is not “ahistorical” per se. Kieser suggested also that “when confronted with long term developments”, the assumption that “evolutionary mechanisms do not change over time does not hold” (Kieser 1994: 612). Those warnings have started to be heeded. A number of notable contributions have attempted to connect more tightly selection-dependent models to particular environmental and institutional contexts (Baum and Oliver, 1992; Dobbin and Dowd, 1997; Ingram and Simons, 2000). On the whole, though, the contingent nature of organizational selection – from both a genealogical and contextual perspective – has remained under-theorized.

The object of this chapter is precisely to problematize the idea of selection and to place it at the centre of inquiry. Building on March (1994)’s invitation to question the “evolution of evolution”, we consider the variation of selection and even the “selection of selection” over time (see Powell et al. this volume for a compatible project on “competitive advantage”). Thus, we propose that both the notion of selection and the value attached to it evolve through time and space. Going one step further, we suggest that different forms and conceptions of

selection reflect different “embedded rationalities”. “Embedded rationalities” are the background frames, the contextual lenses through which individual and collective actors perceive and read the world (Granovetter 1985, Zukin and DiMaggio 1990, Kristensen and Zeitlin 2000). As they become dominant and broadly shared within a particular group, as they stabilize in time, those embedded rationalities tend to become transparent and even invisible to the actors involved. A contextual and contingent understanding is in the process being reinterpreted as reflecting something like “natural law” (Dobbin 1995, Dobbin and Dowd, 2000, Ferraro, Pfeffer and Sutton 2005).

In order to illustrate and document both the variety of embedded rationalities when it comes to the concept of selection and the process by which one of these rationalities has progressively taken over and imposed itself as quasi-natural law in the economics and business literature, we do an exercise in conceptual genealogy (Foucault 1994). We compare the historical evolution of the concept of selection in France and in the United States. We choose those two countries because they constitute distant alternatives, in history, with respect to principles of economic action and organization (Dobbin 1994, Djelic 1998, Hall and Soskice 2001). From this empirical exploration, we are able to provide evidence for and systematically differentiate between three patterns of selection that reflect and suggest strikingly different embedded rationalities – Darwinian selection, strategic selection and institutional selection. The universalizing use of the concept of selection, dominant in a lot of the strategy literature in particular, refers in fact to Darwinian selection – hence to one pattern of selection among others.

As we progress through our empirical exploration, we aim to contribute more particularly on three main issues that are also weaknesses, we propose, in contemporary theorizing. The first issue is the lack of contextualization of the concept of selection in most of the current economics and business literature. In this chapter, we question such a de-contextualized understanding of selection. We propose that the emergence of organizational forms and speciation might result not only from variations of those forms but also from different selection patterns dominant in different contexts. The emergence of organizational forms can reflect, in other words, a variation of the notion of selection through time and place. A second issue we consider is that of the consequences of selection. Some contributions tend to associate selection with isomorphism and convergence (Hannan and Freeman 1977, DiMaggio and Powell 1983, Scott 1995). Others argue instead that selection leads to

speciation as expressed by different organizational forms and strategies (Amburgey, Dacin and Kelly 1994; Rao and Singh 1999). We suggest that these different and sometimes contradictory findings question the validity of a universal and de-contextualized understanding of selection. A last issue for consideration is the level of analysis. In strategy as in biology, there is a debate as to where selection operates and dominant influence really lies – genes, individuals or species in biology (Dawkins 1989, Hull 2001), resources, firms or populations in strategy (Barney 1991, Aldrich 1999, Carroll and Hannan 2002). This raises the question of where selection really applies when scholars invoke selection efficiency. We suggest that there could be variability in dominant patterns of selection across levels of analysis. One could see, for example, a dominant pattern at the national level and pockets at the industry or organizational levels (sometimes quite important ones) reflecting and revealing other patterns of selection.

This chapter has three main sections. First, we define our concepts – selection, selection patterns and embedded rationalities – and briefly present our methodology. Second, we present a conceptual genealogy of the notion of selection in France and in the United States. Those two cases are used as illustrations. Third, we suggest a number of theoretical and empirical implications. Overall, at the theoretical level, we argue that evolutionary models should come to be informed by a contingent understanding of selection patterns. At the empirical level, we propose that future studies should include more indicators to control for alternative conceptions of selection and avoid sweeping and problematic generalization (Denrell 2003, Ferraro, Pfeffer and Sutton 2005). At a more practical level, we contend that any conclusion on the effectiveness of particular managerial practices and strategic decisions should be taken with heightened caution and considered in light of contextual “embedded rationalities”.

## **DEFINITIONS, THEORETICAL EXPLORATIONS, AND METHODS**

Right after World War II, strategy and business studies imported the evolutionary tradition from social science and economics (Campbell 1965, 1990; Hodgson 2002; Bowler, 2003). Evolutionary models soon became highly influential and were applied, from the mid-1970s on, to populations as well as to organizations (Hannan and Freeman 1977, 1984; Aldrich 1979; McKelvey, 1982). According to these models, inspired by Darwin’s seminal work in biology and its further development through population genetics, selection comes after

variation – i.e. a significant and heterogeneous alteration of an entity. Selection is the operation through which certain variations are retained while others disappear.

### **Selection Patterns**

In evolutionary models set within this tradition, selection is somewhat of a black-box, a neutral and unquestioned mechanism. For the selection pattern that tends to be dominant in these models, we use the label “Darwinian”. However, if we consider the organization and business literature that does not inscribe itself in an evolutionary tradition, we are able to identify different patterns of selection. We consider, in particular, two alternative patterns of selection – that we label respectively “strategic” and “institutional” selection. As it is impossible to review all research dealing with organizational selection in strategy, organization theory and adjacent fields, the picture we provide of selection patterns’ main dimensions is naturally schematic. We differentiate between our three ideal-types along five main dimensions (Weber 1978): the driving principle of selection, the dominant selection criterion, the outcome of selection, the nature and time dimension of the evolution process as a whole, and the role in return of given agents in the process. Table 1 brings together the comparison of our three selection patterns.

*Table 1 about here*

Evolutionary models in strategy and business studies are for the most part associated with Darwinian selection (Baum and McKelvey 1999). The driving principle of Darwinian selection in strategy and business studies is the market mechanism that filters through multiple variations at the firm or population level (Baum and Dobbin 2000; Hannan and Freeman, 1977, 1984). The dominant selection criterion is market or economic efficiency. Selected variations are those that maximize the fit of an entity with its environment and carry relative advantages in terms of cost, efficiency, productivity or innovativeness. The relative advantage of variations is randomly distributed at the population level and predominantly expressed in terms of technological or market advance (Nelson and Winter 1982;). Darwinian selection generates technological and economic progress, favouring as an outcome surviving (i.e. superior) firms and customers (Nelson 1990). The ensuing process of evolution is gradual through time: firms or populations change incrementally rather than through radical jumps (Carroll and Hannan, 2002). Finally, in Darwinian selection, the impact of a particular firm on the process of selection is hypothesized as insignificant.

If we plough through the richness of business studies, we do find evidence that selection can be conceived of in other ways. “Strategic selection” is one possible alternative (see also Seidl et al. this volume). The driving principle there for selection is power. Some actors have the power and capacity to carve, shape and transform the economic landscape and to orient the process of selection (Pfeffer and Salancik, 1978). High-handed fiat of this kind is the prerogative of powerful agents, i.e. star CEOs of large firms or key political decision makers (Murtha and Lenway 1994; Ingram and Simons, 2000). Selection criteria are then contingent and reflect the objectives, values, interests and projects of these key actors (Useem 1982; Boddewyn and Brewer 1994; Dobbin and Dowd, 2000). An important outcome of strategic selection is exemplarity. The selected form becomes a symbol; the selected firm becomes a champion of national ambitions and identity. A number of illustrations come to mind: Nokia in Finland, Siemens in Germany, Zara in Spain and so forth. The process of evolution tends to be gradual, as a whole, but the possibility exists of radical re-orientation reflecting power shifts or major national decisions. We find examples of that in the profound transformation of the English national business system in the 1970s and 1980s or in the radical reorientation of the Finnish innovation system during the 1990s. Finally, the capacity to influence is not evenly distributed – access to key nodes of power (economic or political) being the lever here. On the whole, though, and on average, a given firm is not influential (Russo 1992).

The literature also points to another potent ideal-type – “institutional selection”. The driving principle, there, is the network. The structure of the network, position in the network, status ordering indicators and fit with social, institutional and cultural norms and values condition a firm’s survival and performance (Zukin and DiMaggio 1990; Baum and Oliver, 1992; Uzzi 1999; Kogut and Walker 2001). Selection criteria are contextual and may change through time. They depend upon institutional norms and dominant ideological and cultural paradigms (Fligstein 1990; Fiss and Zajac 2004; Rao, Monin and Durand 2003; Zajac and Westphal 2004; Simmons and Elkins 2004). The key outcome for selected firms is legitimacy. Legitimate firms will survive – and they could be at the very same time quite inefficient in market or technological terms, i.e. strong survivors but weak competitors (Barnett 1997). The process of evolution as a whole is, in this perspective co-evolutionary – shaped by reciprocal

interactions and influences between firms and institutions (Lewin and Volberda, 1999).<sup>1</sup> The role of firms in the selection process is unevenly distributed and could potentially be quite strong. The structure and nature of networks and status-ordering indicators depend in part on firms themselves, particularly in their interaction with specific agencies (e.g. professional associations, accreditation agencies, administrative bodies, lobbyists). Under institutional selection, the possibility for given actors or firms to influence the criteria of selection does exist through an involvement in the elaboration of rules, norms and standards (Zucker 1988; Fligstein, 2001; Garud, Jain, and Kumaraswamy 2002; Rao, Monin, and Durand, 2003; Djelic and Sahlin-Andersson 2006).

### **Embedded Rationalities**

The patterning of social life reveals not only the aggregation of individual and organizational behaviours but also the presence of structuring institutions. This, essentially, is the idea behind the concept of “embeddedness” (Weber 1978; Granovetter 1985; Powell and DiMaggio 1991). Building upon the notion of embeddedness, we define “embedded rationalities” as the background frames, the localized lenses through which individual and collective actors see the world. For readers familiar with Foucault’s work, the idea of “embedded rationalities” proposed here is quite close to Foucault’s concept of “episteme” – i.e. “the unconscious of knowledge, a level that eludes the consciousness of the scientist” and more generally of the actors themselves (Foucault 1994). This idea finds further convincing expression in Frank Dobbin’s work (see also Djelic 1998, Kogut and Walker 2001, Hall and Soskice 2001, Guillèn 2002). Dobbin (1994) argues that the development of railways in the United States, Britain and France during the 19<sup>th</sup> century was nationally specific and that the process reflected in each case a unique political and industrial culture only visible from an outsider’s standpoint. Those national political and industrial cultures are, in Dobbin’s account, stable and long lasting frames, shaping institutional arrangements and policies in those three countries over the long term. The conclusion Dobbin reaches is that there can be several efficient ways to organize a given industry, contingent upon the embedding national culture

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<sup>1</sup> Kogut, Walker and Anand (2002) propose an interesting illustration. They look at one single strategy (inter-industry diversification) in five different national contexts. They find that patterns of diversification diverge considerably across countries despite strong arguments (theoretically and empirically based on American studies and data) claiming the superiority of one type of diversification over others. The explanation is that national economic structures provide a context that conditions the emergence of structural opportunities, the coupling of agents with resources, and the orientation of acquirers’ behaviour. Technological characteristics matter but do not determine diversification patterns as observed in various contexts. Interactions between industrial and institutional but also cognitive structures explain more of the observable strategic reorientation.

or, as we would call it here, contingent on the “embedded rationality”. In time, when embedded rationalities stabilize, they have a tendency to become transparent and invisible to the actors involved. The following account of transformations in the American railway industry nicely illustrates the idea that contextual frames can become taken for granted and harden, as it were, into perceived “natural” or extra-social laws:

When federal law encouraged price fixing, analysts had dubbed the rail industry ‘naturally cooperative’. Yet, after federal law outlawed cartels and enforced price competition, leading railroads to merge to escape rate wars, analysts dubbed the industry ‘naturally monopolistic’. Instead of drawing the lesson that government anticartel law made merger a sensible business strategy, analysts drew the lesson that economic laws produced antitrust legislation and competitive pricing alike. In short, by beginning with the premise that policy choices are driven by extra-social economic laws, analysts naturalized policies and hence presumed that they did not need to be explained (Dobbin 1995: 278-9).

While embedded rationalities tend to be quite stable and resilient, they are not, naturally, completely impervious to change. Change can be envisioned as radical rupture at breaking points or moments of crisis, often in the face of external shocks (Djelic 1998; Hanson 1998; Mahoney 2000). More recent contributions, though, tend to suggest that change of embedded rationalities can also be of a more gradual but transformative kind, with as it were a partly endogenous logic (for a more systematic review see Djelic and Quack 2007). Certain studies suggest the importance of interpretation (Flisgtein 1990; Campbell 2004) or “mindful deviation” (Garud and Karnoe 2001) as a mechanism opening up the possibility for change. Other contributions point to the importance of the “diffusion” of embedded rationalities and to associated processes of translation, adaptation, and hybridization (Jacoby 2000; Campbell and Pedersen 2001; Djelic 2006). Others still emphasize the fact that several embedded rationalities, including contradictory ones, can coexist in a particular institutional space (Crouch and Farrell 2002; Schneiberg 2007). At any point in time, some may be active and others dormant, but subtle external or internal pressures may lead to a re-balancing (Morgan and Quack 2005). On the whole, we propose that embedded rationalities are more likely to change through an historical sequence of multiple junctures that cannot be fully anticipated, reflecting a combination of external and internal pressures, rather than through a major, externally driven jolt or crisis (Djelic and Quack 2007).

Organizational selection reflects at a particular point in time and space dominant embedded rationalities. For us, selection is a mechanism that legitimizes organizational demise or success (Durand, 2006). Hence, to understand the meaning of firm performance and survival

in a particular context, we need to make explicit which type of selection pattern is effective and which embedded rationality prevails. In a purely theoretical endeavour, we characterize here the embedded rationalities that correspond to each of the three selection patterns – empirical illustration will follow in the next section. Darwinian selection, we propose, fits with a *liberal-conservative* embedded rationality where selection 1) is thought of as a natural principle 2) that promotes economic efficiency and 3) responds to a vision of natural, predetermined, and gradual progress. Strategic selection corresponds to an *interventionist* embedded rationality where 1) selection abides by principles enforced by powerful actors whose authority and legitimacy are accepted 2) serves particular if not particularistic interests and 3) needs to be counterbalanced by more or less potent counter-powers. Institutional selection, finally, points to a *normative* embedded rationality where selection 1) emanates from collective frames 2) defends an entrenched sharing of economic surplus reflecting past negotiations and power plays and 3) is enacted through powerful and stable institutions that embody norms for organizational survival. These different rationalities can co-exist; although, depending upon eras and areas, one type of embedded rationality might prevail over others.

### **Some Theoretical Explorations**

If we accept the diversity of selection patterns and connect it to a variability of embedded rationalities, then this implies that the outcomes of organizational selection are contextual and contingent. We explore, theoretically, three different and consequential outcomes in turn – firm performance, the nature of entrepreneurship and the nature of competition.

With respect to firm performance, different selection patterns will have a different effect. In Darwinian selection, many entrepreneurial ventures are launched and succumb rapidly to the liability of newness. The relative advantage of firms is temporary, individual firms cannot influence the selection criteria and abnormal returns will exist but tend to be not sustainable. As a consequence, the variance of performance between firms could be quite high but the observed mean of performance should be relatively low. In strategic selection, the role of powerful agents is critical and it has an impact on industry structure. In general, it will favour a situation where, in a given industry, a small number of major players (and at the extreme a single national champion) co-exist with a plethora of small and dependent firms. Major players act as buffers for smaller companies (often suppliers and co-contractors) with unequal performance. Smaller firms survive because a few major companies absorb the cost differentials relative to more competitive suppliers. Altogether, because of this socially

accepted counterbalancing mechanism of price and profit regulation, the observable mean of firm performance should be moderately high and variance should be low. In institutional selection, firms may have a significant influence on selection criteria, depending upon their structural position and their political and social legitimacy. Oligopolistic situations are likely to correspond to this selection pattern, where a few very large firms compete for leadership. There is no accepted industry leader and members of the oligopoly vie for the position, bringing about instability for their network of suppliers and allies. Under institutional selection, firm performance is likely to be higher on average than under other selection patterns owing to the oligopolistic form of competition. At the same time, firm performance will also reflect the nature – and in particular the stability – of the firm network. Therefore, the variance of firm performance is likely to be fairly high.

Not only do selection patterns affect firm performance; they also impact upon the nature of entrepreneurship. A Darwinian selection pattern is conducive to a traditional form of entrepreneurship – namely technological or market entrepreneurship (Shane and Venkataraman 2001). In this context, those who are the first to recognize and seize technological or market opportunities will strongly benefit. A strategic selection pattern calls for a different type of entrepreneurial resource to outperform competition. Political entrepreneurship is likely there to be more appropriate. Political entrepreneurship seeks to influence selection criteria, through cliques and clans and access to political decision makers (Mutha and Lenway 1994; Russo 1992). Finally, an institutional selection pattern calls for cultural and institutional entrepreneurship. Cultural entrepreneurship suggests the infusion of strategies and business propositions with meanings and “stories” that resonate with the broader cultural environment (Lounsbury and Glynn 2001). Institutional entrepreneurship suggests that companies find ways to intervene in the development of new rules and norms for the competitive game (Garud, Jain and Kumaraswamy 2002, Hardy and Maguire 2008).

Finally, the diversity of selection patterns also reflects upon the nature of competition – and more particularly upon the time dimensions associated with competition. Prior research has pointed at the critical effect of time in strategy research, through a focus on time scales and temporal intervals (Zaheer et al. 1999), on causal sequence and influence (Mitchell and James 2001) or on statistical validity in longitudinal analyses (Isaac and Griffin, 1989). In particular, Isaac and Griffin (1989), Zucker (1989), and Zaheer et al. (1999) remark that time scales matter as much as levels of analysis and distinguish micro- and macro- time scales. Reflecting

on this matter from our genealogical perspective would seem to bolster this claim. In particular, we propose that the pace and time scale stability prevailing among competitors are closely dependent upon selection patterns. A gradual but continuous process of change in Darwinian selection means that the pace of change in this selection pattern is rapid. But the short-lived competitive advantages associated with Darwinian selection induce high variability both at micro- and macro time scales – *strong in the morning, dead in the evening*. The situation is different when strategic selection predominates. Changes are more observable at the macro level through visible industrial reorganization that sets the rhythm of competition. At the microscale level, we find more stability within the circle of smaller competitors. Finally, institutional selection means a slower pace of change because of the co-evolutionary process implied by successive rounds of negotiation and network influences. Oligopolistic players defend their position through lobbying activities and social intervention and, in the process, protect themselves from failure. Macro-scale time variability is therefore limited. At the same time, the increasing density of legitimacy pressure and the multiplication of actors there (watchdog associations, NGOs, accreditation bodies, standardizers, rating agencies and other third parties) generates intense activity. Micro-scale time variability could therefore be quite high.

### **Methods for a Conceptual Genealogy**

Our objective in this chapter is to problematize the concept of selection and to address in particular the three issues outlined in the introduction – lack of contextualization, expected consequences of selection and level of analysis. With this objective in mind, we engage in conceptual genealogy, tracing the changing understandings of the word “selection” and their embeddedness in different contexts. Conceptual genealogy is a “history of interpretations, the history of words, ideals and metaphysical concepts” (Foucault 1984: 91-3). The rationale behind such an approach is the conviction that social activity is contextual. A naturalistic and a-historical use of concepts places major limits, we suggest, on our understanding of social reality, with problems such as theoretical inadequacy, confusion in analysis, and dubious validity of the concepts used. A deeper understanding “presupposes knowledge (...) about the alternative interpretations of concepts that the historical agents had in their hands” (Palonen 2002). Conceptual genealogy has been gaining ground in social sciences in general, as a counterweight to the dominance of normative and naturalistic approaches and methods (Skinner 2002, Koselleck 2002, Palonen 2002).

Conceptual genealogy implies the use of historical analysis as a methodological tool. There is still today a profound epistemological gap between historians on the one hand and organization and strategy scholars on the other (see also Suddaby et al. this volume). Historians would reproach strategy and organization scholars for their disregard of “differences in culture or time”, for “squeezing phenomena into rigid categories and to top it all” for “declar(ing) these activities as scientific” (Kieser 1994: 612). Strategy and organization scholars in turn “see historians as myopic fact collectors without a method, the vagueness of their data matched only by their incapacity to analyse them” (Kieser 1994: 612). Such a gap is detrimental to a more accurate understanding of organizational situations that are unique and historically path dependent but still can be framed in theoretical causal chains (Schneiberg 2006; Durand and Vaara, 2009). The good news is that such a weakness has been well diagnosed and that calls for bridging this gap are becoming louder and clearer (Isaac and Griffin, 1989; Kieser 1994; Clark and Rowlinson 2004, Usdiken and Kieser 2004, Booth and Rowlinson 2006).

There are different ways to try and propose a dialogue – i.e. to reconcile an attention to historical complexity with the search for theoretical regularities. The one we have chosen here is to work through a combination of “ideal types” (the selection patterns and embedded rationalities) and case comparison (Weber 1978). We naturally do not pretend to historical exhaustiveness but we choose a meaningful and telling comparison (Chandler 1962, Foucault 1994, Yin 2002, Schneiberg and Clemens 2006). We draw our empirical material from two country cases – France and the United States – because they epitomize two strikingly different systems of economic action and organization (Whitley 1999, Hall and Soskice 2001) and as such make for a good and more powerful comparative set (Skocpol and Sommers 1980: 183). We do not fall into historical anecdotes but we are not deductive either. We describe briefly the ideological and institutional contexts in both countries and argue that those influenced the particular meanings that came to be attached to the concept of selection in each case as well as the associated outcomes.

### **SELECTION IN FRANCE AND IN THE US: AN HISTORICAL FORAY**

France and the United States are often depicted and represented in the literature as constituting distant alternatives with respect to principles of economic action and organization (Dobbin 1994, Djelic 1998, Whitley 1999). On a number of dimensions, this can easily be documented. At the same time, an historical foray into the “variation” of selection” in both

countries points to a more messy picture. In each of the two country cases, we find variability and variation, through time, in selection patterns. We also find that projection at the level of discourse has sometimes been singularly decoupled from what happened in reality with respect to selection patterns. In this section, we explore this complexity.

### **France and the Dominance of Strategic Selection**

Colbertism, or high-handed political fiat in economic affairs, can easily be associated with the strategic selection pattern as we have defined it earlier in this chapter. Unmistakably, Colbertism has profound roots in France. Still, a foray into French economic history shows that the dominance of this selection pattern was at times contested. This was true, for example, between 1774 and 1776 when Turgot was Minister of Louis XVI and pushed forward the ideas of the Physiocrats. This was also true both at the end of the 19<sup>th</sup> century and after World War I, when *laissez faire*, economic liberalism and Darwinian selection tended to dominate. Colbertism again came to be contested in the 1990s and early 2000s when the neoliberal wave put its mark on France as on many other countries (Campbell and Pedersen 2001, Hancké 2002, Djelic and Amdam 2007, Mirowski and Plehwe 2009). The 2008-2009 crisis clearly dealt a blow to this latest offensive of liberalism and Darwinian selection. In short, and over the long period, Colbertism seems to have had the upper hand in France.

#### *French Physiocrats as local champions of Darwinian selection*

The term “Physiocracy” means “government of nature” and refers to an intellectual school that flourished in France during the 18<sup>th</sup> century. The Physiocrats believed and claimed that the only source of wealth for a nation lay in its agricultural production. François Quesnay, the main figure of that school of thought, repeatedly argued that agricultural activity was the only productive activity. The reasoning was that only the earth could really produce value and surplus – in the sense of producing something new where there had been nothing. Coupled with this vision of an agricultural powerhouse driving national wealth was a set of conditions that would smooth the process and stimulate wealth creation. A starting point was the principle that each individual strove to maximize her own satisfaction with a minimal amount of trouble and effort. From this understanding of “human nature”, the Physiocrats derived the doctrine of Natural Harmony. They claimed that the aggregate maximization of individual satisfaction would necessarily and naturally mean a maximization of satisfaction for the collective and for society as a whole. And they called for a reduction if not disappearance of what they saw as possible impediments to the maximization of individual and hence collective

satisfaction. In that context, they argued for *laissez faire* and free trade, championing the removal of barriers to exchange and trade. They extolled competition and denounced corporations as well as unjustified situations of monopoly. Unsurprisingly, Adam Smith held the Physiocrats in high esteem. There is a fair degree of compatibility between the *Doctrine de L'Harmonie Universelle* and Adam Smith's reliance on the invisible hand of the market.

Hence, classical economic ideas coupled with an understanding of organizational selection as a natural principle that promotes economic efficiency were available in France from the 18<sup>th</sup> century on (see also Powell et al. this volume). What is more, they were available as home-grown tradition, not as a mere product of intellectual importation. However, in their institutional struggle against mercantilism and over the long period, the Physiocrats and later on the liberals and the neoliberals were dwarfed in France. Altogether, they failed to take over, secure or create those institutional hubs that could have stabilized, perpetuated and diffused their theoretical system. Darwinian selection, and its corresponding liberal-conservative embedded rationality, were never lastingly installed as a consequence, were never lastingly installed.

#### *A dominant paradigm – Colbertism and high-handed fiat*

Jean-Baptiste Colbert became Finance Minister of Louis XIV in 1661 and in that function he set a path that would structure for many years, and even centuries, economic development in France. Colbertism was historically the archetype of French mercantilism. Colbert and his central administration encouraged the multiplication of manufactures that sold high value-added goods and thus contributed to the inflow of precious metals. The French administration granted a number of privileges such as exclusivity over a market for a given period of time. It gave seed capital to initiatives it sought to encourage. The Colbertist administration stimulated national industry through control of foreign trade, subsidies to French exporters and high tariffs on foreign goods. Colbert also barred foreign trade in French colonies, keeping the latter as exclusive purveyors of raw materials for French firms and reserved markets for French goods.

Some of the features of early Colbertism would influence, time and again, French economic policy in the following centuries. The Second Empire (1852-70) was another period of high-handed fiat and strong political monitoring of the economy. France built its railways then, launched a large-scale industrialization process and modernized its banking system – all under

strong impulse and direct control of the sovereign state. The interdependence between the polity and the economy has clearly been a lasting and highly structuring feature of French political economy, characteristic of early Colbertism, the Second Empire or even more recently of the period of economic development that followed World War II well into the late 1980s (Djelic 1998).<sup>2</sup> Most of the time, this interplay has meant in fact partial subservience of the economic sphere to bigger and wider goals – related to state building and national development.

*France and the practice of strategic selection*

All in all, principles of economic action have had more to do over the past three centuries in France with Colbertism than with physiocratic inspiration. In Colbertism, selection is not a natural and gradual process brought about through competition – as is the case with Darwinian selection. Nor should it play at the micro-level since particular individuals and organizations have only partial and distorted visions and interests. Instead, central power emerges as the main driving principle of selection; we can talk of “high-handed fiat”. The hand exists and it is the highly visible hand of the polity – even if there can be sometimes delegation at the industry or at a local or regional level. This central polity should establish and guarantee order, organization and rational discipline within its territory. It should direct and supervise the combination of individual efforts so as to ensure a better position on the international scale for the collective being as a whole, i.e. the nation. Competition can be envisioned but merely as a tool to be used sparingly to stimulate production and efficiency in particular situations. This tool should remain under the full control of either an interventionist central power or of corporatist and professional bodies.

From the mid-18<sup>th</sup> century, French industries have been structured and protected by various forms of professional or industrial arrangements. Guilds were key players in the early part of the period. They slowly gave way in time and ententes or loose cartels took over, particularly after 1870. Cartels were used to stabilize relationships between members of an industry. The idea was to prevent destructive struggles and shelter firms from rapid or radical technological shifts. Through industry-wide agreements, prices were kept at a level where less efficient

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<sup>2</sup> Even contemporary developments in French economic life are clear signs of this political-economic interplay – see the manner in which in 2002 the CEOs of Vivendi Universal and France Telecom were sacked and replaced and how an « economic patriotism » terminology has marked Jacques Chirac’s second presidential term (2002-2007). An even more recent example is the involvement of the French government, in 2009 and 2010, in redesigning French energy champions (Gaz de France and Suez, EDF, or Areva).

firms survived and more efficient ones prospered, enjoying higher profits than could have been possible in a competitive context. Auguste Detoeuf, a leader of the French business community before World War II and Chairman of the large French electrical company, Alstom was clear about it:

Agreements and cartels, because they protect us from the destructive impact of financial concentration, allow small and medium-sized firms to survive. Now, it is thanks to and through small and medium-sized companies that economic and social relations remain reasonable and are prevented from becoming unbearable and inhuman (quoted in Dussauze 1938:110).

In sum, France has long epitomized a notion of selection that fits the “strategic selection” ideal-type presented above.

### **From Darwinian to Institutional Selection in the United States**

On the other side of the Atlantic, in the dynamic New World of the 19<sup>th</sup> century, things were different. There, the idea of free competition and Darwinian selection were embraced and valued as powerful mechanisms of change, social fluidity and progress. The importation of economic *laissez faire* to the United States came together with a fascination for evolutionary theories, popularized by Herbert Spencer and Charles Darwin. Soon, however, the American society had to deal with the potentially disruptive or even destructive fallouts of Darwinian selection. The result, in time, was the construction in the United States of a “workable” practice of competition that amounted to what we have defined above as “institutional selection” (Sklar 1988). Darwinian selection was still structuring part of the discourse and theory but in practice, Darwinian selection had been tamed and largely displaced by institutional selection (Djelic 1998).

#### *Darwinian selection and its unanticipated consequences*

During the second half of the 19<sup>th</sup> century, Herbert Spencer promoted in Europe and diffused in the United States the ideas of both perpetual adaptation and survival of the fittest. Spencer defended a view where ongoing differentiation and specialization of an entity coincides with the development of the environment that surrounds it. Spencer’s “theory of inevitable progress” had quite a significant impact in the United States. According to Spencer, progress was the necessary outcome of evolution as long as the natural process of evolution was left full and free rein. Spencer identified the struggle for survival as the main mechanism around

which this natural process articulated (Haines 1988). And this struggle for survival was often associated, combined and conflated in his writings and those of his followers with the classical economists' understanding of competition (Hogdson 1993; Durand, 2006). The outcome of this mechanism was that, ultimately, the fittest were being selected while the maladaptive were eliminated over time.

The Spencero-Darwinian arguments resonated with the conditions that characterized the United States after the civil war. This was a time of upheaval, turbulence, transformations and unpredictable developments where the old rules were inadequate and the new ones still to be invented (Josephson 1932; Kolko 1963; Chernow 1990). Spencer's ideas hence became the intellectual foundation for a "social Darwinist" ideology that seduced American "Robber Barons". The "Robber Barons" were that generation of businessmen, who thrived initially on the chaotic conditions associated with the American civil war and then established firmly their power and legitimacy during the period of corporate reinvention of American capitalism, at the end of the 19<sup>th</sup> century (Sklar 1988; Roy 1997; Djelic 1998; Perrow 2002). The evolutionary argument seemed to give legitimacy to violent and rapacious behaviour, as necessary stages leading to progress through struggle. The elimination of the "weak" and the institutionalization of a hierarchical and unequal division of labour were also justified in this way.

Soon, however, the victims of Robber Barons' capitalism – smaller business owners, farmers in particular and civil society in general – became increasingly vocal. Channelled through the Populist movement (Goodwyn 1976), their discontent targeted rapacious and violent practices but also the somewhat paradoxical consequences of "free competition" – the rapid emergence and constitution of larger and larger aggregates of economic power (see also Powell et al. this volume). Indeed, the "elimination of the weak" meant that the strong became stronger. But the Robber Barons themselves became dissatisfied in time with systematic chaos and struggle for survival in a free-for-all context. The winners of today were likely to be the losers of tomorrow – *strong in the morning, dead in the evening*. The consequence was that they turned to cooperation and collusion in an attempt to stabilize their environment. The 1870s and 1880s were therefore characterized by a proliferation of loose networks and agreements in the form of cartels, pools or trusts which peaked by 1890 (McCraw 1984; Chandler 1990; Fligstein 1990). On the whole, those cartels proved to be relatively fragile constructions. They often failed and failure would generally be followed by another wave of ruinous competition

and a new attempt at cartelization. By the late 1880s, this complex and somewhat paradoxical situation had turned the issues of competition and cartelization into real political and social debates in the United States.

*Regulating competition: The Sherman Act and its unintended consequences*

The enactment of the Sherman Antitrust Act, in 1890, was a direct outcome of this period of turmoil and a reaction to the significant concentration of power of cartels and trusts. The initial intent of most congressmen, partly under pressure from the strong movement stemming from civil society, had been to prohibit all forms of interfirm collaboration so as to re-establish the conditions for competition and Darwinian selection (Peritz 1996). However, the 1890 final version of the Sherman Act regarded as unlawful those “contracts or combinations *in restraint of trade or commerce*” (Section 1, outlining what came to be known as “the commerce clause”). In a series of cases, the Supreme Court applied the commerce clause when violations occurred between states – concentration of power within a given state did not fall under its ruling. Hence, as long as cartels, trusts and other loose interfirm networks had an impact on interstate commerce, they were outlawed under the Sherman Act (amounting to 85% of 322 cases during the 1890-1930 period). Somewhat unexpectedly, tight combinations and mergers were able to escape regulation under the Sherman Act provided they belonged to a given state. American states, starting with New Jersey in 1889, amended their corporate charter to allow unrestricted intercorporate stock ownership. New Jersey had become the first state to allow a corporation to be created for the sole purpose of owning stock in other corporations; other states followed rapidly (Roy 1997). The holding company, as this device came to be known, became a powerful legal tool through which industries could organize and check competition.

Between 1895 and 1904, 300 firms per year on average entered mergers and incorporated into holding companies – frequently in New Jersey (Parker-Gwin and Roy 1996; Roy 1997). Simultaneously, loose interfirm networks were rapidly disappearing from the American industrial scene (McCraw 1984; Chandler 1990). In an ironic twist of history, the fight for competition in America had led in an indirect and partly unexpected manner to the emergence of large, integrated firms. An institutional context relatively unfavourable to cartelization turned out to be fertile ground for oligopolies (Thorelli 1954; Bittlingmayer 1985; Fligstein 1990; Dobbin, 1994; Djelic 1998).

In the process, the concepts of competition and selection were reinvented. Neo-classical competition and Darwinian selection remained dominant ideological frames of mind in the United States, shaping discourse and theory. On the ground, though, and in practice, the words “competition” and “selection” came to refer to a very different reality. The “workable” concept of competition that emerged in that country around the turn of the 20<sup>th</sup> century was shaped and defined in great part by the antitrust legislation and its particular interpretation and implementation. Competition in the United States became associated with oligopolistic markets and not with the classical or neoclassical multi-actor markets. A small number of big players became the rule in most industries. Each one of those players could be big enough to realize economies of scale and scope – which, de facto, stemmed at least in part from control over a big market share. The interactions, however, amongst those big players or between them and more marginal ones, were strictly and systematically monitored under the American antitrust regime – with little if any room left for collusion or other forms of “anticompetitive” or predatory practices. The nature of selection, as a consequence, was affected: the Darwinian selection pattern was significantly tamed in practice by institutional rules and logics.

### **Learning from the Cases and Their Comparison**

From the French case, we learn that Darwinian selection historically had proponents in France. It was debated and presented as an alternative to a Colbertist conception of economic development. All in all, though, Darwinian selection remained marginal in France and had little impact on policy making. Economic affairs were deemed too important to be left to market logics, i.e. to the control of uncoordinated individuals. Order and coordination, direction and discipline came through powerful actors who defined the criteria and processes of selection. Concretely, powerful actors were a mix of guilds, cartels, and associations on the one hand, a central polity on the other. From such a perspective, selection emerged as a strategic process leading to exemplarity in the form of a “national project”, “national champions” or the defense of “national interests” – sometimes perverted into the preservation of national elites (Hancké 2001). The French case is on the whole quite representative of the “strategic selection” pattern, while not exclusively associated with it. Entrepreneurship, in this context, has been at least in part of the political kind. The economic performance of national champions tends to be, on average, moderate to high and the variance of intra-industry firm performance is limited by the existence of *ententes*, interlocks and collusion. Over time, and with political reorientation, macroscale variability can be quite significant but this is generally

associated with microscale stability as the industrial and economic fabric of the nation should be protected.

In the American case, Darwinian selection had a strong impact as an idea from the 19<sup>th</sup> century on. Parts of the business community used the idea that progress should naturally emerge from unfettered competition to legitimize actions and decisions that could be harmful to others or to the community (Perrow 2002). In time, this led in fact to the creation of strong imbalances of power on the market. And, by the late 1880s, federal authorities used the idea that unfettered competition meant progress to justify state intervention and regulation with a view to re-establishing and preserving the conditions for free competition and Darwinian selection. Ironically, the interplay between this latter project and the American institutional setting had rather unintended consequences. It stimulated if not triggered the first large-scale merger movement, leading in time to the reorganization of most American industries as oligopolies (Sklar 1988, Djelic 1998). In the background, the concept of Darwinian selection remained dominant in the normative discourse – of economists, regulators and legislators or even lay persons. The reality, however, and the practice both with respect to economic action and regulation were significantly decoupled from that discourse.

Oligopolistic markets do not create the conditions for free competition and Darwinian selection. Rather, in oligopolistic markets, organizations survive when they create dense ties with their institutional environments, adapting to its demands and obtaining social and political endorsement. Selection, there, is of the institutional kind. While technological and market entrepreneurship was better suited to the first period, institutional selection calls for a form of entrepreneurship that is more cultural and institutional. Darwinian selection in the period before regulation was associated with low on average and highly variable firm performance. Instability, partly as a consequence, became unbearable and meant extremely high micro-scale and macro-scale variability. Once regulation and institutional selection set in, firm performance stabilized at higher levels. Intra-industry micro-scale variability remained significant but there was much greater stability at the macro-scale level.

## **CONTRIBUTIONS AND IMPLICATIONS**

Drawing on the cases and on what we can learn from each of them as well as from their comparison, we now turn to the three issues outlined in the introduction – the lack of contextualization of selection, the expected consequences of selection and the level of

analysis. We then discuss a number of theoretical implications while pointing also to some consequences for empirical research.

### **Contributing to Three Issues**

First, putting forward the idea of variable selection patterns and embedded rationalities allows us to better integrate the concept of selection into its geographical and historical context. Rather than an immutable natural law, selection appears to be a contextual and dynamic mechanism. Darwinian selection is one pattern of selection, useful for theoretical reflection and empirical simulation but we identify (at least) two other patterns of selection. Different patterns of selection correspond to different embedded rationalities that legitimize organizational demise and success. An embedded rationality can become transparent and in a sense invisible to actors themselves. At the same time, in a given context, actors will not necessarily all share the same embedded rationality (Schneiberg 2007; see the interesting works on business groups and the different consequences for performance, e.g. Khanna and Yafeh, 2007).

Second, we propose that the two notions of “selection patterns” and “embedded rationalities” pave the way for a genealogical perspective on organizational selection and its consequences. The literature points to seemingly contradictory and apparently incompatible consequences, where selection could lead either to organizational isomorphism or to speciation and variance. For instance, the expansion across the world of American-type forms of corporate governance creates a powerful isomorphic pressure. A closer look, though, shows that these models tend to be adopted and translated in somewhat different ways in different countries (Djelic 1998, Kogut, Walker and Anand 2002, Fiss and Zajac 2004, see also Seidl et al. this volume). This can certainly be connected and in fact accounted for by the existence and predominance in those different countries of various selection patterns. Depending on which embedded rationality prevails in a particular context (liberal conservative, interventionist or normative), organizational variation and organizational selection will take different forms. Diffusion of practices could be serendipitous, hierarchical, or status-laden. And as we stated earlier, performance characteristics, entrepreneurship types, and time efficacy could differ. A genealogical and contextual perspective on selection should make it possible to account for such diversity of consequences – not by adjusting a one-fits-all notion of selection but by tracing the historical and social-cultural contingency of models of organizational survival and demise.

Thirdly, this chapter makes a contribution to debates on levels of analysis. Developing a multi-level perspective on selection requires going beyond traditional conceptions of vertically nested levels (resources, firms and populations). To deploy such perspectives, we propose, there is a need to integrate a focus on those actors that shape the embedding context in which bundles of resources, firms and industries or populations set themselves. Legitimizing agencies, for example, professions or communities are likely to impact upon the evolution of embedded rationalities and, hence, ultimately also on organizational selection. Those kinds of actors are clear mechanisms for bridging the various levels across which selection plays out. Legitimizing agencies – like accreditation agencies or standardization bodies for instance – imprint markers and signals unto organizations and impact, as a consequence, selection processes and outcomes (Casile and Davis-Blake 2002; Durand and McGuire, 2005). Professions as trans-organizational groups (increasingly transnational) define logics and representations that contribute to define selection criteria. Very often, professions become involved and inscribed within broader normative and regulatory settings (Lounsbury 2002, Djelic and Sahlin-Andersson 2006). Finally, communities bring together under various umbrellas individuals, groups, and organizations that share common cognitive and normative values and/or common projects (Jones 1995, Djelic and Quack 2010). Communities can lead to or generate social movements; they might also imply identity clashes, a redefinition of the social compact and induce behavioural but also cognitive and even ethical changes (Durand, Rao, Monin, 2007; Guthrie and Durand, 2008; Mirowski and Plehwe 2009; Djelic and Quack 2010). Overall, legitimating agencies, professions or communities deserve our attention because they play an increasing part in framing the rationalities that apply in a given context. These transversal and bridging mechanisms complement a more classical approach to nested levels of selection and allow for a better understanding of the selection process and its impact on organizational performance.

### **Theoretical Implications**

The genealogical and contextual perspective on selection that we propose here questions at least three theories familiar to strategy scholars: the resource-based view, population ecology and institutional theory. We can neither review in depth each theory and its different variants nor study all implications. We limit ourselves to stressing critical implications in each case.

*Resource-Based View: selection and the situatedness of resources*

An important assumption of the Resource-Based-View (RBV) is that strategic resources, through their intrinsic properties, turn into a comparative advantage for the organization that owns those resources. Rarity, inimitability and non-transferability are examples of resource properties. Rents (abnormal profits) accrue to companies possessing resources endowed with these properties. Two questions handicap today the RBV and our genealogical approach to selection could help. Debates are ongoing to determine whether competitive advantage is logically and ontologically distinct and distinguishable from resources, spreading a suspicion of tautology damageable to RBV (Powell, 2001; Durand, 2002; Durand and Vaara, 2009, Seidl et al. this volume). Next, by concentrating its efforts on an intra-organizational level of analysis, RBV could well downplay the role of structures on strategic advantage and performance.

First, our approach makes it possible to disconnect in part the value of resources from their inherent properties and characteristics. In RBV-like competition, what is important is not so much resources as their properties (Durand and Vaara, 2009). We contend that the assumption relating resource ownership causally to superior performance is flawed. For instance, GE has mastery in financing complex multi-billion projects and P&G possesses marketing maestria. Another firm with similar resources may not yield abnormal returns because selection patterns may not retain the properties that make these resources and capabilities distinctive. Second, the value of these properties is not evenly distributed across the world. Political, cultural, sociological determinants encode and constrain the experience of competition in different markets (see Suddaby et al. this volume). To understand why immense resources (GE's capital resources and P&G's marketing knowledge) fail in given contexts (for instance, the failure of GE's acquisition of Honeywell in Europe in 2001), one must realize that distinct embedded rationalities buttress different selection patterns – hence we suggest a situatedness approach to resources. From this perspective, two research paths look promising for RBV. First, RBV scholars should think about the operationalization of resource *properties* (rareness, transferability, imitability, and so forth) in connection with selection patterns. Second, we need more studies testing how a firm that controls specific resources can resist selection pressures in different environments with distinct types of selection patterns (for example across national boundaries).

### *Population Ecology in international contexts*

Our approach also has implications for research within the population ecology tradition. A strong question around population ecology bears on the use of demographic trends as proxies for competition and legitimacy (Zucker, 1989; Isaac and Griffin, 1989; Baum and Powell, 1995). By contextualizing the selection patterns that prevail in a region or another, population ecologists could better describe selection pressures and the influence of legitimacy and competition and refine the explanation they provide of firm survival. This is applicable at the state level in the USA (Schneiberg 2007) but may be even more relevant for international studies. Indeed, in other geographic regions, like Europe, the Middle-East or Asia, the assumption of a common selection pattern allowing observers to assume time and space commensurability does not hold long (Dobbin, 1994; Baum and Powell, 1995). For instance, few studies compare populations internationally and how the development of a population in one country affects legitimacy and competition as well as founding and disbanding rates in other countries.

### *Institutional Theory and hybridized legitimacies*

Finally, institutional theory may find interest in the genealogical approach to selection presented here. For a long time, institutionalists have uncovered the mechanisms that contribute to organizational isomorphism (DiMaggio and Powell, 1983). More recently, the question of institutional change has become predominant and institutional theory has dealt with this in part through the concept of “institutional entrepreneurship” (Hardy and Maguire 2008, Greenwood et al. 2008). Our concept of selection patterns could help refine the notion of institutional entrepreneurship. In fact, our approach suggests that the type of entrepreneurship most likely to apply is closely connected to selection patterns and embedded rationalities. Entrepreneurship may have to be more market and technology-oriented under a Darwinian selection pattern. It should probably be more political under a strategic selection pattern and more institutional or cultural only in those environments that are characterized by an institutional selection pattern.

Our perspective on selection also points to a promising avenue for theoretical exploration in institutional research. An important frontier today for institutional theory is to approach the situations of encounter and interface between different institutional logics. This preoccupation runs parallel to our questions here on what happens at the points of interface between different selection patterns and different embedded rationalities. We need to provide theoretical

accounts of those situations of dissonant encounters. Some prior works have begun exploring these themes (Ingram and Simons, 2000; Marquis and Lounsbury, 2007). Will one selection pattern prevail over the other – and in this case which one and through which process? Will there be transformation and hybridization of selection patterns through the process of encounter? Those are all questions triggered by the perspective we adopt in this essay. We suggest that they are also highly relevant paths to explore today for institutional theory.

### **Implications for Empirical Research**

While dominant theorizing on selection bids for universality, bringing in the two notions of “selection pattern” and “embedded rationality” makes selection a more contingent object to study. From the study presented here, we draw a first implication for empirical research. If we want to understand the process of organizational selection, we need to explore the environment in which organizations devise strategies and make decisions. Our notion of environment encompasses ideological and institutional contexts, cultural backgrounds and structural legacies all leading to variations in the meaning of apparently “universal” or well-shared notions, like money, wealth or performance. As Zelizer (1989) uncovered the concealed and plural meanings of money, a generic term so common in economic and sociological studies, we strove to uncover the oft-ignored assumptions contained in a term common to evolutionary studies: selection. Therefore, when conceiving of organizational evolution, we should qualify the embedded rationality (liberal-conservative, interventionist, or normative) that each group of agents extols (firms, other collective actors, and institutions). Controlling for period and region in models is not enough to really account for the shifting nature of the notion of selection or for the uneven influence of actors in their field. A control for the type of embedded rationality championed by particular actors should probably be introduced in our models. This operationalization requires thorough analysis of texts produced by these agents, oral, written, graphical, etc. that express their views in terms of what is legitimate to live and what is acceptable to trim.

Another line of empirical research concerns the explanation of significant changes in organizational forms or legal structures (such as the development of holding companies, the legal inscription of limited liability, the diffusion of vertical integration or process outsourcing, the multiplication of independent regulatory agencies, a spreading wave of nationalization or on the contrary privatization, and so forth), the creation or disappearance of

professions (e.g. key account managers, strategic planners, knowledge managers, investor relations or risk management officers). These major changes often reveal debates, contestation and conflicts between different embedded rationalities. The creation or suppression of institutions may also follow the swing from a dominant embedded rationality to another. Rao et al. (2003) show how 1) the degree of theorization of new logics, 2) the emergence of new professional associations, and 3) the modification of social and professional identification processes are variables that impacted the embedded rationality of chefs and customers, and gave preeminence to *Nouvelle cuisine* over Old cuisine among French culinary elite. They used variables such as the number of published articles in favor of *Nouvelle cuisine* as well as the number and affiliation of chefs participating in the new professional associations as proxies for theorizing embedded rationality and the power of activism.

Finally, much work remains to be done to explain the conditions in which a shift takes place from one selection pattern to another. Our U.S. case study provided us with an occasion to comment on the shift away from the Darwinian selection pattern, but we need to understand the reverse movement – going from strategic or institutional selection patterns to a Darwinian pattern as it happens in situations of deregulation, privatization, or reinvention of an organizational field. An interesting case to look at, amongst many others, would be the shift towards a Darwinian selection pattern in the telecommunication industry after the Telecommunication Act (1995).

## **CONCLUSION AND A FEW POINTS OF CAUTION**

In sum, this chapter has offered a genealogical and contextual perspective on organizational selection patterns and their variation. Selection should not remain a blackbox. Even if “selection is eternal”, the ways in which it operates vary through time and space (Weber 1978: 38). Hence, organizational selection needs to be problematized and contextualized. We argue that it is possible to account for the construction of distinct embedded rationalities that lead to different notions of organizational selection. As much as scholars must avoid the seductive assumption of selection uniformity and universality, practitioners should be aware of the embedded rationalities in which they operate, especially when going international. Through a genealogical approach of embedded rationalities and selection patterns, as well as the proposition of a multilevel perspective bridging and going beyond traditional levels of

analysis, this chapter has suggested new directions for future research on the dynamics of organizational action at the resource-, ecological, and institutional levels.

Still, this genealogical approach to organizational selection is not exempt of limitations. We mention here only the three most important ones. First, we presented ideal-types of selection patterns described along five dimensions. Ideal-types are nice tools to reflect and theorize on reality but suffer from definition rigidity. We ask readers to accept the benefits of using ideal-types as we accept their inherent limitations. As Max Weber already showed when exploring authority principles and economic forms of organizations, reality is often more complex and hybrid (Weber 1978: 10-20). Ideal-types are conceptual shortcuts to reality; they are not always descriptive of that reality.

Second, we have not looked into the articulation of the different dimensions defining selection patterns. Does one dimension prevail over others? Neither have we explored why and how one selection pattern fades and another becomes dominant. Is there, historically, a logical path and a natural “evolution of selection” – away from a pattern and towards another? We are aware of the need for a lot more work in those two directions. Still, we venture a perspective on those important questions. We propose that all dimensions are important in structuring and defining the selection pattern (rather than one dimension superseding all others). We also suggest that all path combinations are possible across the three selection patterns – there is no necessary or easy linear path or progression. We can probably identify situations that exhibit a move from Darwinian to strategic or institutional selection or in reverse from institutional to strategic or to a more Darwinian pattern.

Third, methodologically speaking, genealogical approaches are probably not as deductive as organization or strategy scholars would expect. Genealogical studies strive to uncover the origins of some constitutive properties of our societies. Purity, holiness, madness, discipline, sexuality, money, the body, childhood and other debated notions in contemporary societies have benefited from in-depth genealogical research. In our disciplines however, few studies have attempted to explore and question taken-for-granted notions and mechanisms such as selection - but also competition, profit, value, authority (see Powell et al. in this volume on “competitive advantage”). Hence, one should not take our case analyses for what they are not. They are not direct evidence for our theoretical propositions but meaningful archival “remains” that help us reflect on the conditions of organizational selection.

**TABLES**

**Table 1. Selection patterns**

	Darwinian Selection	Strategic Selection	Institutional Selection
Driving Principle of firm selection	Market	Power	Network
Selection Criteria	Necessary Based on economic efficiency	Contingent Defined by powerful agents	Contextual Dependent on institutional norms
Role of firms	Evenly distributed Insignificant	Unevenly distributed Weak	Unevenly distributed Potentially strong
Outcome for the firm	Progress	Exemplarity	Legitimacy
Process of evolution	Gradual	Gradual and potentially Radical	Co-evolutionary
Embedded rationality	Liberal-conservative	Interventionist	Normative

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